

## Summary of Management Salary and Benefits Concessions

Declining revenues in the City of Hialeah have necessitated dramatic reductions in operating and capital expenditures and reductions in levels of services offered. Steep revenue reductions projected for 2010-2011 of approximately \$20 million now necessitate a drastic reduction in salaries and benefits to City employees. Management employees and elected officials of the City intend to participate in this effort in a commensurate manner. This document provides recommendations for reductions to management salaries and benefits for the 2010-2011 budget year.

In the past four years, as employees from all three bargaining units realized a new 10- or 15-year longevity step as well as merit and cost of living adjustment (COLA) increases, management employees alone have given over \$2.129 million in salary and benefit concessions. These management employee concessions have had a considerable impact in reducing the City's actual expenditures.

In light of next year's significant reduction in revenues, management is committed to continue to assist the City with its financial shortfall.

Therefore our recommendations for additional monetary concessions for 2010-2011, as presented, have a total value of up to \$1,875,878 for fiscal year (FY) 2010-2011. Management's and elected officials' expected share of the expected \$20 million shortfall for 2010-2011 would be 8.24%, or approximately \$1.648 million. These past and future proposed reductions are proportionally greater than the reductions to any of the bargaining units proposed to date.

**Management salary concessions of prior years.** The management employees conceded significant salary and benefits in prior budget years in order to save expenses for the City. These concessions were made including in years in which bargaining unit employees continued to receive generous increases as per the City's contractual obligation with each bargaining unit.

Average Salary Increases By Year							
	AFSCME	IAFF	PBA	Weighted Average	Mgt.	Mayor	Council*
2006	9%	7%	8%	7.86%	5%	0%	0%
2007	8%	8%	11%	8.75%	7%	3%	5%
2008	9%	8%	7%	8.32%	6%	0%	4%
2009	7%	6%	7%	6.80%	0%	0%	0%
2010	3%	3%	1%	2.50%	0%	0%	0%

\*Salary and expenses

These prior salary and benefit concessions can be summarized as follows:

### 1. LONGEVITY FROZEN

- A. **Fire and police management employees:** In 2006-2007, police management employees conceded a five (5) percent 10-year longevity increase. Likewise, fire management employees conceded a five (5) percent 15-year longevity increase. The value of these savings to the City were calculated each year for every police and fire management employee who would have reached their 10- or 15-year anniversary before October 1 of each year since 2006.
- B. **General management employees:** In 2007-2008, all general management employees conceded a three (3) percent 15-year longevity increase. The value of this savings to the City was calculated each year for every general management and attorney who would have reached their 15-year anniversary before October 1 of each year since 2007.

## **2. SALARY INCREASES REDUCED AND FROZEN**

**A. Management employees:** In 2007-2008, all bargaining unit employees received increases averaging 8.32 percent. This percent was calculated based on actual individual employee increases. Employees receiving a promotion were excluded from the average percent calculation so as not to inflate it. In that same time frame, management employees realized a much more conservative average increase of six (6) percent. This percent was calculated based on actual individual employee increases. Likewise, management employees receiving a promotion were also excluded from the calculation of average percent so as not to inflate it. The difference of 2.32 percent salary and benefit savings to the City given by management was calculated. Additionally, these salary and benefits savings have a cumulative effect on the City's budget and were calculated in this manner.

In 2008-2009, all bargaining unit employees received increases averaging 6.8 percent. This percent was calculated based on actual individual employee increases. Employees receiving a promotion were excluded from the average percent calculation so as not to inflate it. In that same time frame, management employees realized a 0.09 percent annual increase (due to small longevity increases). This percent was calculated based on actual individual employee increases. Likewise, management employees receiving a promotion were also excluded from the calculation of average percent so as not to inflate it. The difference of 6.8 percent salary and benefit savings to the City given by management was calculated. Additionally, these salary and benefits savings have a cumulative effect on the City's budget and were calculated in this manner.

In 2009-2010, all bargaining unit employees received increases averaging 2.5 percent. This percent was calculated based on actual individual employee increases through August 13, 2010 for AFSCME, PBA and IAFF employees. Employees receiving a promotion were excluded from the average percent calculation so as not to inflate it. In that same time frame, through June 12, 2010, management employees realized a 0.02 percent annual increase (due to small longevity increases). This percent was calculated based on actual individual employee increases. Likewise, management employees receiving a promotion were also excluded from the calculation of average percent so as not to inflate it. The difference of 2.5 percent salary and benefit savings to the City given by management was calculated.

Annual lost wages are calculated based on an individual management employee basis according to years of service for the missed longevity step and the cumulative application of average annual percent of lost wages. Lost wages in 2007 are based on frozen longevity only. Attorneys

Management Lost Wages Per Year				
	Lost Wages	Benefits Saved	Total Savings To City	
2006-07	\$ 85,179	\$ 26,099	\$	111,278
2007-08	\$ 281,785	\$ 88,959	\$	370,744
2008-09	\$ 516,287	\$ 160,910	\$	677,197
2009-10	\$ 661,814	\$ 200,958	\$	862,772
<b>Total</b>	<b>\$ 1,545,065</b>	<b>\$ 476,925</b>	<b>\$</b>	<b>2,021,990</b>

do not have the same retirement contribution as management employees; theirs is not a calculated benefits savings.

- B. Mayor:** In 2005-2006, bargaining unit employees received a (weighted) average of a 3.4 percent COLA increase. In that same time frame, the Mayor realized a zero (0) percent COLA increase to his salary. In 2006-2007, all bargaining unit employees received a 3.5 percent COLA increase. In that same time frame, the Mayor realized the same 3.5 percent COLA increase to his salary. In 2007-2008, all bargaining unit employees received a 3.5 percent COLA increase. In that same time frame, the Mayor realized a zero (0) percent COLA increase to his salary. The difference of 3.5 percent salary and benefit savings to the City given by the Mayor was calculated. In 2008-2009, all bargaining unit employees received a three (3) percent COLA increase. In that same time frame, the Mayor realized a zero (0) percent COLA increase to his salary. The difference of three (3) percent salary and benefit savings to the City given by the Mayor was calculated. Additionally, these salary and benefits savings have a cumulative effect on the City's budget and were calculated in this manner.
- C. Council:** In 2005-2006, bargaining unit employees received a (weighted) average of a 3.4 percent COLA increase. In that same time frame, the Council realized a zero (0) percent COLA increase to their compensation of salary plus expenses. In 2006-2007, all bargaining unit employees received a 3.5 percent COLA increase. In that same time frame, the Council realized 4.9 percent COLA increase to their compensation. (However, cumulative lost wages are calculated using the lower, 3.5 percent cola.) In 2007-2008, all bargaining unit employees received a 3.5 percent COLA increase. In that same time frame, the Council realized a 4.2 percent COLA increase to their compensation of salary plus expenses. (However, cumulative lost wages are calculated using the lower, 3.5 percent cola.) In 2008-2009, all bargaining unit employees received a three (3) percent COLA increase. In that same time frame, the Council realized a zero (0) percent COLA increase to their compensation of salary plus expenses. The difference of three (3) percent compensation and benefit savings to the City given by the Council was calculated. Additionally, these salary and benefits savings have a cumulative effect on the City's budget and were calculated in this manner.

Mayor and Council* Lost Compensation by Year				
	Lost Wages	Benefits Saved	Total Savings To City	
2005-06	\$ 14,716	\$ 1,126	\$ 15,842	
2006-07	\$ 11,241	\$ 860	\$ 12,101	
2007-08	\$ 15,043	\$ 1,151	\$ 16,194	
2008-09	\$ 29,367	\$ 2,247	\$ 31,614	
2009-10	\$ 29,365	\$ 2,246	\$ 31,611	
<b>Total</b>	<b>\$ 99,732</b>	<b>\$ 7,629</b>	<b>\$ 107,362</b>	

\*salary and expenses

**Value of management salary concessions of prior years.** These savings, as calculated, have a total value \$2,129,352 in the form of lost wages and benefits through fiscal year 2009-2010.

**Management's percentage of payroll.** Over time, management's percentage of payroll has shrunk due to several factors, including the loss of budgeted management positions and management frozen salaries as compared to bargaining unit increases.

PERCENTAGE OF TOTAL PAYROLL - MULTIYEAR TRENDS							
Year	AFSCME	IAFF	PBA	Mgt.	Mayor	Council*	Total
10/01/07-09/30/08	38.92	25.7	26.18	8.5	0.21	0.43	100
10/1/08-9/30/09	39.31	25.6	26.83	7.66	0.2	0.4	100
10/01/09-Current	38.8	25.82	27.14	7.65	0.2	0.39	100

\*based on salary and expenses

Management Salary Concessions and Recommendation for 2010-2011				
	Lost Wages*	Actual Wages	Total Actual + Lost Wages	Average % Loss
2007	85,179.00	5,878,868.40	5,964,047.40	1.43%
2008	281,785.00	6,218,377.20	6,500,162.20	4.34%
2009	516,287.00	5,987,679.30	6,503,966.30	7.94%
2010	661,814.00	6,193,115.84	6,854,929.84	9.65%
<b>2011</b>	<b>231,205.00</b>	<b>6,034,450.50</b>	<b>6,265,655.50</b>	<b>3.69%</b>
	1,776,270.00	30,312,491.24	32,088,761.24	27.05%

\*Due to frozen longevity steps and reduced and frozen management increases and recommendation to continue same. Lost wages in 2007 are based on frozen longevity only.

- A. Elected officials.** We propose no increase in compensation in fiscal year 2010-2011. The value of this for fiscal year 2010-2011 cannot be determined precisely as this has historically varied. Recently, on average, this has been approximately three and a half (3.5) percent. This has an approximate value of \$17,497 in compensation and benefits for fiscal year 2010-2011.

<b>Mayor and Council* Salary Concessions &amp; Recommendation for 2010-2011</b>				
	<b>Lost Wages</b>	<b>Actual Wages</b>	<b>Total Actual + Lost Wages</b>	<b>Average % Loss</b>
<b>2005-06</b>	14716.18	432828.83	447545.01	3.29%
<b>2006-07</b>	11241.39	451967.44	463208.83	2.43%
<b>2007-08</b>	15042.89	464436.71	479479.60	3.14%
<b>2008-09</b>	29367.06	464436.71	493803.77	5.95%
<b>2009-10</b>	29364.51	464436.71	493801.22	5.95%
<b>2010-11</b>	16253.00	464436.71	480689.71	3.38%
	115985.02	2742543.11	2858528.13	24.13%

\*salary and expenses

\*\*Lost wages are cumulative and are based on average weighted cola increases received by bargaining units.